

**Secret**

25X1



DIRECTORATE OF  
INTELLIGENCE

## Intelligence Report

### *The Economic Situation in South Vietnam* (Biweekly)

**Secret**

**116**

6 April 1970  
No. 0419/70

**Secret**

25X1

## WARNING

This document contains information affecting the national defense of the United States, within the meaning of Title 18, sections 793 and 794, of the US Code, as amended. Its transmission or revelation of its contents to or receipt by an unauthorized person is prohibited by law.

GROUP 1  
EXCLUDED FROM AUTOMATIC  
DOWNGRADING AND  
DECLASSIFICATION

**Secret**

SECRET

25X1

CENTRAL INTELLIGENCE AGENCY  
Directorate of Intelligence  
6 April 1970

INTELLIGENCE MEMORANDUM

The Economic Situation in South Vietnam

Summary

President Thieu's sweeping new land reform proposal to abolish tenancy in South Vietnam became law on 26 March, and the government is now drawing up detailed plans for implementing it. Village administrative committees will have the authority to approve applications for land ownership from tenants and others, while officials in Saigon will handle compensation to landlords. It probably will be many months before the administrative machinery in most villages can begin to handle transfers on the scale envisaged under the new law.

Enemy headquarters in South Vietnam (COSVN) apparently has decided for the first time to reduce its budget deficit by sharply cutting expenditures.

The monthly average retail price index for Saigon declined somewhat during March to a level about eight percent above that of December 1969. Black market currency and gold prices continued to soar to new heights during the last two weeks of March.

ANNEX: Monthly and Weekly Currency and Gold Prices  
(Graph)

SECRET

25X1

SECRET

25X1

Land Reform

1. A sweeping land reform program designed to abolish tenancy in South Vietnam was enacted into law on 26 March. According to the law, the government now has 60 days to develop detailed plans for implementation, but it already has begun a massive effort to publicize the program through all available media. The program involves approximately one million hectares\* of private and village-owned rice and other annual crop land, or more than a third of total cultivated area. It does not apply, however, to industrial crop land, such as rubber plantations, or to orchard, forest, or grazing lands. At least 500,000 families could become land owners under the program, while at least 20,000 land owners could have their holdings reduced.

2. The primary provisions of the law as it affects landlords and tenants are as follows:

A. Landlord

1. Cannot retain tenanted crop land. He may, however, rent out part of the five hectares of worship and cemetery land he can retain under the new law.
2. Can retain a maximum of 15 hectares of crop land providing he cultivates it himself or with hired labor.
3. Will be paid for his lost rental land an amount roughly equivalent to two and a half times the value of the average paddy yield during the past five years. The value reportedly will be determined by the price of paddy at the time of transfer. The exact rate of payment, however, will be set by a special committee to be established by the government.

\* One hectare equals approximately 2.5 acres.

SECRET

25X1

SECRET

25X1

4. Will be compensated by the government after titles are issued to the new owners. Payment will be made 20 percent in cash and the remainder in eight-year bonds bearing 10 percent interest.

B. Tenant

1. Will receive free title to the land he is cultivating up to a maximum of three hectares in III and IV Corps and one hectare in I and II Corps.
2. Stops paying rent the day his application is approved by his village administrative committee.
3. Cannot sell newly acquired land for 15 years.

In addition to the tenants and squatters now cultivating land, the law provides that relatives of war dead, discharged or retired soldiers and civil servants, government employees who abandoned farming because of the war, and farm laborers also may become land owners. In order to make more land--in addition to that which has been abandoned--available for these recipients who are not currently engaged in farming, the Senate adopted a one-to-three hectare distribution limit rather than the three-to-five hectare maximum proposed by Thieu. Although probably about three fourths of the existing farms are within the sizes set by the law, those tenants now cultivating more than one or three hectares probably will react adversely to the new bill because they will be forced to give up part of their land in order to gain title to the remainder. The small size of the new holdings combined with the 15-year restriction on resale could lead to a more or less permanent fragmentation of land holdings, but given present agricultural technology in South Vietnam, productivity probably will not be affected. Should agricultural technology change in the future, the law could be amended.

-3-

SECRET

25X1

SECRET

25X1

3. Applications for land ownership by tenants and others will be presented to and approved by village administrative committees, which are to meet every two weeks to handle land transfers. Even though land records are poor or nonexistent in many villages throughout the country, most village officials reportedly are very knowledgeable about the boundaries and ownership of the farms in and around their villages. In addition, the government will use aerial photography as a means of identifying and measuring the parcels of land involved. Under ideal circumstances, therefore, transfer of ownership to tenant farmers whose claim is undisputed could be accomplished within two weeks. The issuance of titles, which will come directly from Saigon, would then be no more than a formality.

4. While applicants for land ownership will be dealing with village officials, landlords will be dealing with the Ministry of Land Reform and Agriculture in Saigon. They will be paid after the transfer has been completed and a special compensation committee has determined the price per hectare. If the transfers are effected rapidly and if, as has been reported, the price will depend on the price of paddy at the time of transfer, the cost of the land reform program will be far beyond any previous estimates. At the average price of paddy on 1 March and assuming an average annual yield per hectare of two metric tons, the cost of compensation to landlords for one million hectares would total more than \$1 billion, compared with the government's announced estimate of \$450-500 million.

5. It is unlikely, however, that substantial transfers will take place at the current unusually high rice prices. Vietnamese officials have said that this massive land transfer could be completed within three years, but even with an all-out effort a much longer time will be necessary. Some village committees recently have gained experience by handling the distribution of government-owned lands, but the government is only beginning to establish procedures and hire and train local officials for land affairs. Moreover, once the village land committees are functioning, the number of disputed or unclear claims could pile up, resulting in lengthy

-4-

SECRET

25X1

SECRET

25X1

delays and dissatisfaction on the part of the recipients. Despite the length of time involved in distributing the land, and even if rice prices decline, financing the land reform program will cause serious problems for the Vietnamese Government. The added expenditure will come at the same time defense spending and the budget deficit are increasing. At present, the US Government has earmarked only \$40 million to help the Vietnamese finance the program.

COSVN Effort to Balance Its Budget in 1970

6. Financial guidelines for 1970 sent out by COSVN, the enemy headquarters in South Vietnam, indicate that for the first time the enemy will attempt to reduce its budget deficit by sharply reducing expenditures. The guidelines call for a 40-percent cutback in expenditures combined with increases of 10 and 100 percent in revenues from taxes and loans, respectively.

25X1

COSVN did not specify how such an improbable reduction is to be achieved. Expenditures clearly cannot be reduced substantially without impairing Viet Cong (VC) activities. Taxes on agriculture, transportation, and business, which probably provide over 90 percent of all domestic VC revenues, are to be raised 10 percent. So-called revolutionary loans are to be doubled, but are to be obtained only from businessmen whose net worth exceeds one million piasters (US \$8,500 at the official exchange rate). While the concentration of VC efforts on those most capable of paying may increase revenues, most of these businessmen are residents of government-held areas where VC tax collectors cannot operate with the same freedom they have in VC-held areas.

25X1

while SR-1 plans to meet 40 percent of its 1970 budget requirements from local revenues, the remainder will have to come from COSVN. Because the VC financial position in SR-1 is typical of most areas outside the delta, no overall success in balancing the budget can be anticipated, and VC dependence on external aid will continue.

SECRET

25X1

SECRET

25X1

Prices

7. Despite an increase during the last two weeks of the month, partial data indicate that the average price level for March was about four percent below the February level. During the first three months of the year, therefore, retail prices in Saigon increased approximately eight percent.

Currency and Gold

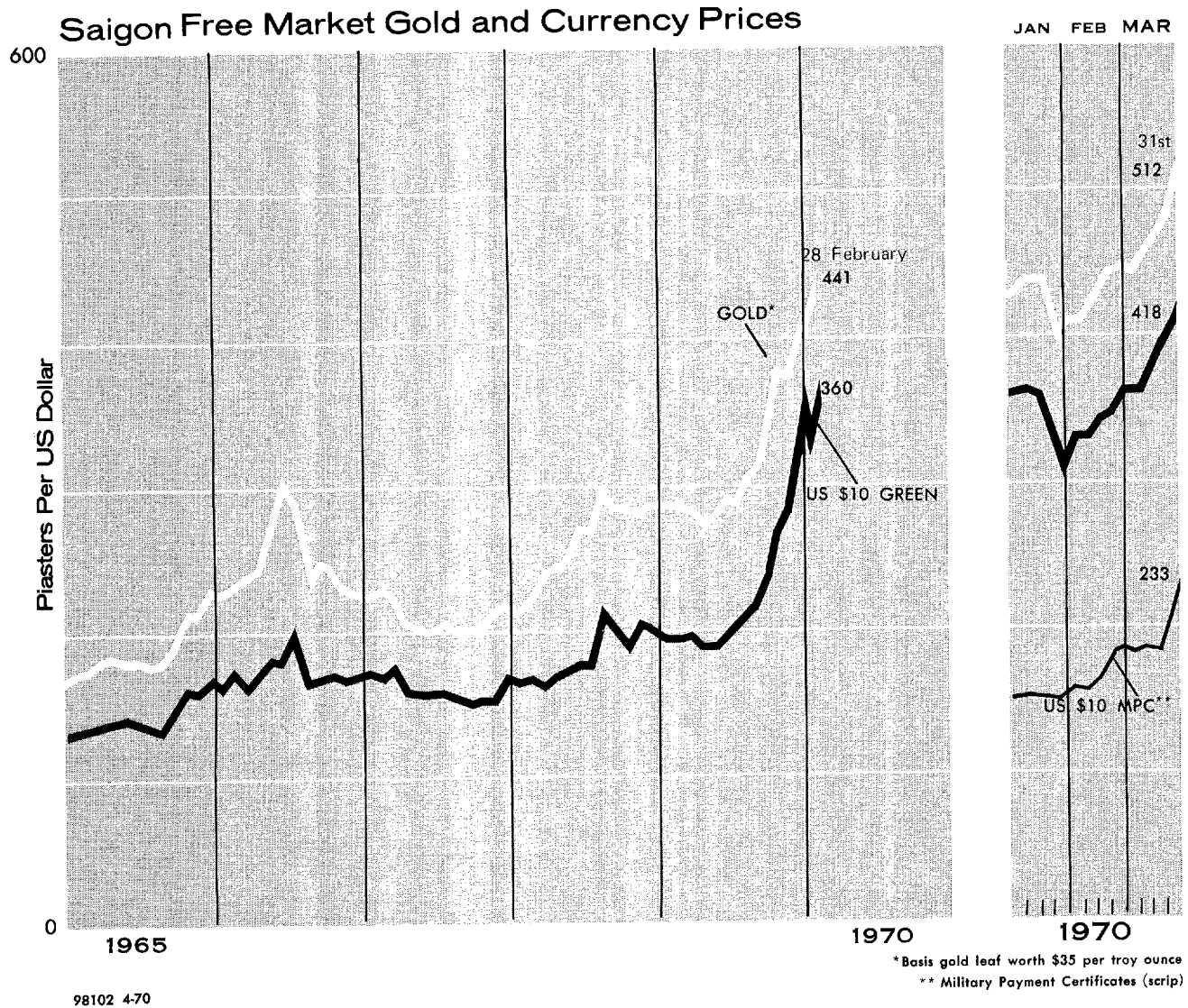
8. Black market currency and gold prices in Saigon continued to increase sharply during the two weeks ending 31 March. The price of dollars reached 418 piasters per dollar, and the price of MPC (scrip) jumped from 186 to 233 piasters per dollar. The price of a dollar's worth of gold leaf increased nine percent to 512 piasters. Rumors of a forthcoming devaluation apparently are appearing almost daily in the press, and black market dealers reportedly are holding onto dollars and gold. (A graph on monthly and weekly currency and gold prices is included in the Annex.)

-6-

SECRET

25X1





**Secret**

**Secret**